

QATAR FUEL (WOQOD) Q.S.C.
DOHA – QATAR

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2009
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

QATAR FUEL (WOQOD) Q.S.C.
DOHA – QATAR
DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

**To The Shareholders
Qatar Fuel (WOQOD) Q.S.C.
Doha - Qatar**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Fuel (WOQOD) Q.S.C. (the "Company") and its subsidiary (together "the Group") which comprise of the consolidated statement of financial position as at December 31, 2009, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

The consolidated financial statements of the Group include assets, liabilities and results of operation of a subsidiary company amounting to QR. 837,870,332 (2008: QR. 693,455,695), QR. 408,736,061 (2008: QR. 365,459,374) and QR. 201,137,950 (2008: QR. 265,811,692) respectively which have been audited by other auditors and expressed their unqualified opinion thereon. The audit report of the subsidiary company was furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the report of other auditors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

Furthermore, in our opinion the consolidated financial statements provide the information required by the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Group, inventory count was duly carried out with established principles, and the financial information included in the Annual Report of the Board of Directors is in agreement with the Group's financial statements. To the best of our knowledge and belief and according to the information given to us, no contraventions of the above mentioned Law or the Company's Articles of Association having occurred during the year which might have had a material effect on the business of the Group or on its financial position.

Rodl & Partner
Middle East

Saoud Abdulla
License No. 204

Doha – Qatar
March 7, 2010

QATAR FUEL (WOQOD) Q.S.C.

DOHA - QATAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2009

	Note	December 31,	
		2009	2008
		QR.	QR.
ASSETS			
Current Assets:			
Cash and cash equivalents	6	1,864,340,100	1,284,388,183
Accounts receivable	7	1,277,645,545	1,341,497,405
Due from a related company	8	2,846,121	6,720,381
Inventories	9	188,153,947	137,067,672
Prepayments and other debit balances		58,799,112	71,629,701
Total Current Assets		3,391,784,825	2,841,303,342
Non-Current Assets:			
Goodwill	10	57,700,022	57,700,022
Intangible assets	11	2,214,996	--
Available-for-sale investments	12	148,602,720	120,960,000
Property, plant and Equipment	13	1,269,049,639	1,054,747,963
Total Non-Current Assets		1,477,567,377	1,233,407,985
TOTAL ASSETS		4,869,352,202	4,074,711,327
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accruals		272,147,748	185,968,519
Due to Qatar Petroleum	14	1,205,375,471	1,298,697,572
Total Current Liabilities		1,477,523,219	1,484,666,091
Non-Current Liabilities:			
Provision for employees' end of service benefits	3(r)	23,455,881	16,059,753
Total Non-Current Liabilities		23,455,881	16,059,753
Equity:			
Share capital	15	315,000,000	300,000,000
Legal reserve	16	307,596,682	150,000,000
General reserve		30,078,234	30,078,234
Fair value reserve	12	75,414,720	64,680,000
Retained earnings		2,121,491,516	1,598,028,721
Proposed cash dividend	17	315,000,000	300,000,000
Proposed issue of bonus shares	17	31,500,000	-
Total Equity Attributable to Equity Holders of the Parent		3,196,081,152	2,442,786,955
Minority Interest		172,291,950	131,198,528
Total Equity		3,368,373,102	2,573,985,483
Total Liabilities and Equity		4,869,352,202	4,074,711,327

These consolidated financial statements have been approved by the Board of Directors on March 7, 2010 and signed on their behalf by:

.....
H.E. Abdulla Bin Hamad Al-Attiyah
Deputy Prime Minister and
Minister of Energy and Industry
Chairman of Woqod

.....
Mr. Mohamed Turki Al-Sobai
Vice Chairman and
Managing Director

.....
Mr. Khalil Hassan Makki
Finance Manager

The accompanying notes form an integral part of these consolidated financial statements

QATAR FUEL (WOQOD) Q.S.C.

DOHA - QATAR

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Note</u>	<u>Year Ended December 31,</u>	
		<u>2009</u>	<u>2008</u>
		<u>QR.</u>	<u>QR.</u>
Revenue	18	6,176,494,446	7,509,230,086
Cost of sales		<u>(4,899,552,405)</u>	<u>(5,970,501,169)</u>
Gross Profit		1,276,942,041	1,538,728,917
Depreciation of property, plant and equipment	13	(62,562,650)	(48,573,867)
General and administrative expenses	19	(477,383,722)	(307,364,373)
Bank charges		(693,388)	(802,059)
Other Income	20	<u>212,858,327</u>	<u>129,938,277</u>
Net profit for the year		<u>949,160,608</u>	<u>1,311,926,895</u>
Attributable to :			
Equity Holders of the Parent		869,962,795	1,205,602,218
Minority Interest		<u>79,197,813</u>	<u>106,324,677</u>
Total		<u>949,160,608</u>	<u>1,311,926,895</u>
Basic and Diluted Earnings per Share	21	<u>28.13</u>	<u>40.18</u>
(Expressed in QR. per share)			

The accompanying notes form an integral part of these consolidated financial statements.

QATAR FUEL (WOQOD) Q.S.C.
DOHA - QATAR
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	Year Ended December 31,	
		2009 QR.	2008 QR.
Net Profit for the year		949,160,608	1,311,926,895
Other Comprehensive Income			
Net change in fair value reserve of available-for-sale investments	11	10,734,720	(52,640,000)
Income (loss) of other comprehensive income		10,734,720	(52,640,000)
Total Comprehensive Income		959,895,328	1,259,286,895
Attributable to :			
Equity Holders of the Parent		880,697,515	1,152,962,218
Minority Interest		79,197,813	106,324,677
Total Comprehensive Income		959,895,328	1,259,286,895

The accompanying notes form an integral part of these consolidated financial statements.

QATAR FUEL (WOQOD) Q.S.C.
DOHA - QATAR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

	Share Capital	Legal Reserve	General Reserve	Fair Value Reserve	Proposed cash Dividend / issue of Bonus Shares	Retained Earnings	Equity Holders of the Parent	Minority Interest	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance - January 1, 2008	300,000,000	139,278,173	30,078,234	117,320,000	-	913,148,330	1,499,824,737	39,173,851	1,538,998,588
Total comprehensive income for the year	-	-	-	(52,640,000)	-	1,205,602,218	1,152,962,218	106,324,677	1,259,286,895
Transfer to legal reserve	-	10,721,827	-	-	-	(10,721,827)	-	-	-
Dividend paid for 2007	-	-	-	-	-	(210,000,000)	(210,000,000)	-	(210,000,000)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(14,300,000)	(14,300,000)
Proposed dividend	-	-	-	-	300,000,000	(300,000,000)	-	-	-
Balance – December 31, 2008	300,000,000	150,000,000	30,078,234	64,680,000	300,000,000	1,598,028,721	2,442,786,955	131,198,528	2,573,985,483
Increase in share capital	15,000,000	-	-	-	-	-	15,000,000	-	15,000,000
Total comprehensive income for the year	-	-	-	10,734,720	-	869,962,795	880,697,515	79,197,813	959,895,328
Legal reserve	-	157,596,682	-	-	-	-	157,596,682	-	157,596,682
Dividend paid for 2008	-	-	-	-	(300,000,000)	-	(300,000,000)	-	(300,000,000)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(38,104,391)	(38,104,391)
Proposed cash dividend	-	-	-	-	315,000,000	(315,000,000)	-	-	-
Proposed issue of bonus shares	-	-	-	-	31,500,000	(31,500,000)	-	-	-
Balance – December 31, 2009	315,000,000	307,596,682	30,078,234	75,414,720	346,500,000	2,121,491,516	3,196,081,152	172,291,950	3,368,373,102

The accompanying notes form an integral part of these consolidated financial statements.

QATAR FUEL (WOQOD) Q.S.C.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Note</u>	<u>Year Ended December 31,</u>	
		<u>2009</u>	<u>2008</u>
		<u>QR.</u>	<u>QR.</u>
Cash Flows from Operating Activities :			
Net profit for the year		949,160,608	1,311,926,895
Adjustments for :			
Depreciation of property, plant and equipment	13	65,047,874	48,701,324
Provision for doubtful debts	7	112,144,880	-
Provision for employees' end of service benefits		7,396,128	4,934,936
Interest income		(57,687,952)	(25,771,275)
Profit on sale of property, plant and equipment	20	(362,874)	(272,457)
		1,075,698,664	1,339,519,423
(Increase) / Decrease in :			
Accounts receivable		(48,293,020)	(407,143,586)
Inventories		(51,086,275)	(46,215,064)
Prepayment and other debit balances		12,830,589	(36,151,531)
Due from related company		3,874,260	(2,018,817)
Increase /(Decrease) in :			
Accounts payable, accruals and due to Qatar Petroleum		(7,142,872)	341,541,964
Net Cash Generated by Operating Activities		985,881,346	1,189,532,389
Cash Flows from Investing Activities :			
Intangible assets		(2,214,996)	-
Purchase of Property, Plant and Equipment	13	(280,155,968)	(377,193,964)
Proceeds from sale of property		1,169,292	500,000
Interest received		57,687,952	25,771,275
Purchase of Investments	12	(16,908,000)	--
Net Cash used in Investing Activities		(240,421,720)	(350,922,689)
Cash Flows from Financing Activities :			
Dividend paid		(300,000,000)	(210,000,000)
Legal reserve		157,596,682	-
Increase in share capital	15	15,000,000	-
Payment of term loan		-	(5,399,445)
Dividend paid to minority interest shareholders		(38,104,391)	(14,300,000)
Net Cash used in Financing Activities		(165,507,709)	(229,699,445)
Net Increase in Cash and Cash Equivalents		579,951,917	608,910,255
Cash and Cash Equivalents at the beginning of the year		1,284,388,183	675,477,928
Cash and Cash Equivalents at the end of the year	6	1,864,340,100	1,284,388,183

The accompanying notes form an integral part of these consolidated financial statements.

QATAR FUEL (WOQOD) Q.S.C.
DOHA – QATAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. Status and Activities

a) Legal Status

Qatar Fuel (WOQOD) Q.S.C, (the “Company” or “Parent Company”) was incorporated in the State of Qatar as a Qatari Shareholding Company under Commercial Registration No 24872. The Company was formed in accordance with Emiri Decree No. 5 year 2002 issued on February 10, 2002. The shares of the Company are publicly traded in Qatar Exchange.

b) Activities

The principal activities of the Company and its subsidiary collectively referred to as “the Group” are sales and distribution of refined petroleum products manufactured by Qatar Petroleum and inspection of vehicles. The Group operates only in the State of Qatar.

c) Business Combination

On May 20, 2009 the Extraordinary General Assembly of the shareholders approved the acquisition of Qatar Technical Inspection Company QSC by swapping of shares at the ratio of 1: 5.3 (One share of Qatar Fuel Woqod against 5.3 shares of Qatar Technical Inspection Company QSC). Total number of shares issued to the shareholders of Qatar Technical Inspection Company QSC against the acquisition was 754,717. The total assets and liabilities acquired as part of the acquisition process is as below:

	<u>Amount</u> <u>QR</u>
Total Assets	63,080,207
Total Liabilities	<u>(12,881,352)</u>
Net Assets	50,198,855
Shares issued	<u>(7,547,170)</u>
Share Premium transferred to Legal reserve	<u>42,651,685</u>

2. Adoption Of New And Revised International Financial Reporting Standards

Standards, amendments and interpretations issued and effective on or after January 1, 2009

The following standards, amendments and interpretations have been issued and are effective for financial years beginning on or after January 1, 2009 and therefore, these have been adopted and applied in the preparation of these financial statements:

i) Determination and presentation of Operating Segments

As of January 1, 2009 the Company determines and presents operating segments based on the information that internally is provided to the Managing Director (“MD”), who is the Company’s Chief Operating Decision Maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determine and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the MD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

ii) Presentation of Financial Statements

The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of January 1, 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these financial statements as at and for the year ended December 31, 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

iii) Improvements to IFRS (issued in May 2008)

Improvements to IFRS issued in May 2008 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after January 1, 2009 have been adopted by the Company and no material changes to accounting policies arose as a result of these amendments.

iv) Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment to the standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognized at fair value based on a three-level measurement hierarchy. Furthermore, for those instruments which have significant unobservable inputs (classified as Level 3), the amendment requires disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognized in other comprehensive income, purchases, sales issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. Finally, the standard amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative financial liabilities.

Entities are required to apply this amendment for annual periods beginning on or after January 1, 2009, with no requirement to provide comparatives on transition. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2009, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company, with the exception of:

i) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, published on November 12, 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of *held to maturity*, *available for sale* and *loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently in the process of evaluating the potential effect of this standard.

ii) Improvements to IFRS (issued in April 2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2010 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

3. Significant Accounting Policies:

a) Statement of Compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

b) Basis of Preparation:

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial instruments. The principal accounting policies adopted are set out below. For the purpose of the financial statements, the results and financial position of the Group are expressed in Qatari Riyals, which is the functional currency of the Group, and presentation currency for the financial statements.

c) **Basis of Consolidation:**

The consolidated financial statements incorporate the financial statements of the following subsidiaries:

<u>Subsidiary</u>	<u>% of Ownership</u>	<u>Amount</u>
		QR
Qatar Jet Fuel Company	60%	60,000,000
Woqod Marine Services	100%	10,000,000
Woqod Vehicles Inspection (Fahes)	100%	40,000,000

A subsidiary is an entity where the Parent Company can exercise control. Control is achieved where the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiary company to bring its accounting policies into line with those used by the Group. All inter company transactions, balances, income and expenses between the subsidiary and the Parent Company are eliminated.

Qatar Jet Fuel Company

The company is involved in supply of aviation fuel to commercial and private aircraft, which uses the facilities of Doha International Airport

Woqod Marine Services

The company is mainly involved in owning and operating vessels and mainly operates for services to Qatar Fuel Company

Woqod Vehicles Inspection (Fahes)

The company was formed with an investment of QR 40,000,000 by transferring all the assets and liabilities acquired during the acquisition of Qatar Technical Inspection Company (as explained in Note 1(c)). The company is mainly involved in providing vehicle inspection services.

Minority interest in the net assets of consolidated subsidiary is identified separately from the Parent Company's equity therein. Minority interest consists of the amount of the interest at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

d) **Investment:**

Available for Sale

After initial recognition, investments classified as "available for sale" are remeasured at fair value. The unrealized gains and losses on remeasurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year

e) **Revenue Recognition:**

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

- Investment income represents dividend income, realized profits on the sale of investments and unrealized profit / (loss) on investments held for trading.
- Dividend income is recognized when the rights to receive the payments have been established.

Interest income is recognized on a time accrual basis, by reference to the principal amount outstanding and the interest rate applicable.

f) Related Parties:

A related party is one with which the Group has, in common, partners or management, but is neither an investment, a subsidiary nor an associate. Related parties also include key management personnel of the Group. Transactions with related parties are performed at prices as discussed in Note 22.

g) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to write off the cost of assets, other than capital work in progress and land over their estimated useful lives, using the straight line method. The estimated useful lives of the assets are as follows:

Buildings and infrastructure	10-20 years
Plant and equipment	10-20 years
Vehicles, office equipment and furniture	5-10 years
Petrol Stations	5-20 years
Vessels (excluding dry docking components)	20 years

Land is not depreciated.

Dry docking components are amortized over the period to the next dry dock (approximately 5 years).

h) Cash and Cash Equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and short term deposits with banks maturing within 90 days.

i) Accounts Payable and Accruals:

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. The settlement terms of the accounts payable are 30 to 60 days.

j) Operating Lease:

The land on which the subsidiary company's refueling facilities are located is leased under an operating lease from the government. Lease rentals are charged in the statement of income on a straight-line basis over the period of lease.

k) Inventories

Refined Petroleum Products

Petroleum Product inventories are recorded at the lower of cost and net realizable value. Cost is determined by the first-in first-out basis.

Maintenance Materials and Parts

Maintenance materials and parts inventories are stated at cost with appropriate adjustments for provisions against deterioration, obsolescence or other loss in value. Costs are determined by the first-in first-out basis.

l) Foreign Currencies:

Transactions in foreign currencies are recorded in Qatari Riyals at the rates of exchange ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated to Qatari Riyals at the rates of exchange of those currencies ruling at that date. Gains or losses arising thereon are included in the statement of income

m) Provisions:

Provisions are recognized when the Group has an obligation either legal or constructive arising from a past event and the costs to settle the obligation are both probable and can be reliably measured

n) Financial Instruments:

Financial Assets:

The Group's principal financial assets are Cash and cash equivalents, investments, due from a related company and accounts receivable. All financial assets, except for investments, are stated at their nominal values, as reduced by appropriate allowances for estimated irrecoverable amounts, if any.

Financial Liabilities:

Significant financial liabilities include accounts payable and due to Qatar Petroleum. All financial liabilities are stated at their nominal values.

o) Government Grants:

Non-monetary government grants are recorded at nominal value.

p) Accounts Receivable and Prepayments:

Accounts receivable and prepayments are stated net of provision for amounts estimated to be doubtful of recovery. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

q) Impairment:

The carrying amounts of the Group's assets are reviewed at each balance sheet date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss, being the excess of the carrying amount over the recoverable amount, is recognized. Impairment losses, if any, are recognized in the statement of income.

r) Employees' End of Service Benefits and Pension Contributions:

Employees' end of service benefits represent terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period.

Under Law No. 24 of 2002 on Retirement and Pensions, contributions by the Company to a Government fund scheme for Qatari employees are calculated as a percentage of the Qatari employees' salaries and the obligations are limited to these contributions, which are expensed when due.

s) **Borrowing Costs:**

Borrowing costs directly attributable to the construction of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized as expenses in the year they are incurred.

t) **Capital Work-in-Progress:**

All expenditures and costs incurred on the Capital Assets are capitalized and are initially recorded as capital work-in-progress. These costs are transferred to property, plant and equipment when these assets are ready for their intended use

u) **Goodwill:**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

4. Financial Risk Management :

4.1 Financial risk factors

The activities of the Company expose it to some financial risks; market risk (including currency risk and fair value interest rate risk) , credit risk and liquidity risk. The Company's management seeks to minimize potential adverse effects on the financial performance of the Company by formulating policies risk management areas.

a) **Market risk**

i) **Foreign exchange risk**

The Company operates locally and is also exposed to foreign exchange risk arising from its procurement by foreign currency. These transactions, however , represent only a small portion of the Company's overall transactions. The Company does not use derivative financial instruments to hedge foreign exchange risk exposures.

The Company has the following net exposures denominated in foreign currencies:

	GB Pounds <u>(In Qatari Riyals)</u>	Total <u>(In Qatari Riyals)</u>
At 31 December 2009		
Assets	--	--
Liabilities	<u>(53,688)</u>	<u>(53,688)</u>
Net financial position	<u><u>(53,668)</u></u>	<u><u>(53,688)</u></u>
At 31 December 2008		
Assets	--	--
Liabilities	<u>(2,422,328)</u>	<u>(2,422,328)</u>
Net financial position	<u><u>(2,422,328)</u></u>	<u><u>(2,422,328)</u></u>

ii) Interest Rate Risk Sensitivity:

The majority of the Group's financial assets and liabilities are non-interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents is invested at short-term market interest rates.

The Group's interest-bearing financial assets and liabilities expose it to risks of variability in cash flows associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position.

	Interest Bearing QR.	Non- Interest Bearing QR.	Total QR.
At 31 December 2009			
ASSETS:			
Trade and other receivables		1,336,444,657	1,336,444,657
Cash at Bank	1,860,060,040	4,280,060	1,864,340,100
Total assets	1,860,060,040	1,340,724,717	3,200,784,757
LIABILITIES:			
Trade and other payables	--	272,147,748	272,147,748
Provision for employees' end of service benefits	--	23,455,881	23,455,881
Total liabilities	--	295,603,629	295,603,629
Total Interest Rate Sensitivity Gap	1,860,060,040		
At 31 December 2008			
ASSETS:			
Trade and other receivables	--	1,348,217,786	1,348,217,786
Cash at Bank	1,272,762,420	11,625,763	1,284,388,183
Total assets	1,272,762,420	1,359,843,549	2,632,605,969
LIABILITIES:			
Trade and other payables	--	1,484,666,091	1,484,666,091
Provision for employees' end of service benefits	--	16,059,753	16,059,753
Total liabilities	--	1,500,725,844	1,500,725,844
Total Interest Rate Sensitivity Gap	1,272,762,420		

The above table provides an indication of the exposure to interest in relation to the company's financial assets.

The impact on the income statement for the year ended 31 December 2009 due to a change between an effective interest rate as against an assumption interest rate is immaterial.

4.2 Capital Risk Management

Capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including trade and other payables and amount due to related parties) less cash and cash equivalents. Total capital is calculated as equity plus net debt. Gearing has improved on account of significant profits made the year ended 31 December 2009.

	December 31,	
	2009	2008
	QR.	QR.
Due to related party	1,205,375,471	1,298,697,572
Trade and other payables	272,147,748	185,968,519
Total payables	1,477,523,219	1,484,666,091
Less: cash and cash equivalents	(1,864,340,100)	(1,284,388,183)
Net debt	(386,816,881)	200,277,908
Total equity	3,368,373,102	2,573,985,483
Total capital	2,981,556,221	2,774,263,391
Gearing ratio	(13%)	7%

4.3 Fair Value of Financial Instruments:

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties at arms length. Since the accompanying financial statements have been prepared under the historical cost convention, except for certain investments, the carrying value of the Company's financial instruments as recorded could therefore be different from the fair value. However, in management's opinion, the fair values of the Company's financial assets and liabilities are not considered significantly different from their book values.

4.4 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables and balances with banks. All risk in trade receivables are concentrated in the airline industry, petrol stations and contracting companies. Most of the debts are secured. The Company provides to large number of customers.

Cash is placed with local banks with good credit ratings. Bank balances carrying interest at the prevailing market or fixed interest rates.

Management does not expect any losses of collections from those parties.

4.5 Liquidity Risk

Prudent liquidity management implies maintaining sufficient funding to enable the business of the Company to continue without disruption. In accordance with prudent liquidity risk management, the management of the Company aim to maintain an adequate amount of funding through timely collection of debtors.

The Company has no borrowings. All trade and other payables have a contractual maturity of less than 12 months from the balance sheet date.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in Note 4, management has made judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and applied certain assumptions, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

Inventories

Inventories are stated at the lower of cost and net realizable value. Adjustments to reduce the cost of inventory to its realizable value are made at the product level for estimated obsolescence. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

Property, Plant, Equipment and Investment Property

The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value as it is deemed immaterial.

Allowance for Doubtful Debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the trade receivables are not overstated due to uncollectibility. The allowances for doubtful debts for all customers are based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances.

6. Cash and Cash Equivalents:

	December 31,	
	2009	2008
	QR.	QR.
Cash in hand	480,948	284,244
Bank current and call accounts	1,311,731,084	1,213,457,474
Fixed deposit accounts	552,128,068	70,646,465
	1,864,340,100	1,284,388,183

Time deposits carry interest at commercial rates.

7. Accounts receivable:

	December 31,	
	2009	2008
	QR	QR
Accounts receivables	1,389,790,425	1,341,497,405
Provision for doubtful debts	(112,144,880)	-
Net	1,277,645,545	1,341,497,405
Past due and impaired receivables	112,144,880	-

More than 95% of the above receivables which is not impaired is secured against bank guarantee or are outstanding from Government agencies.

8. Due from a Related Company:

	December 31,	
	2009	2008
	QR.	QR.
Gulf Helicopters – W.L.L.	2,699,080	6,720,381
Qatar Holding Company	147,041	--
	2,846,121	6,720,381

9. Inventories:

	December 31,	
	2009	2008
	QR.	QR.
Refined petroleum products	178,834,404	130,154,871
Maintenance materials and parts	9,675,423	7,084,066
	188,509,827	137,238,937
Less: Provision for obsolete maintenance material and parts	(355,880)	(171,265)
Net	188,153,947	137,067,672

10. Goodwill:

Goodwill represents the excess of the cost of acquisition of the subsidiary company over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

11. Intangible Assets:	December 31 2009 QR.	December 31 2008 QR.
Cost as of December 31,	2,768,745	-
Less: Amortization	(553,749)	-
Net	<u>2,214,996</u>	<u>-</u>

Intangible assets represent the development cost incurred by a subsidiary. Management is of the view that this amount will be amortized in a period of 5 years.

12. Available-for Sale Investments:

	Cost	Fair value reserve	Fair Value
	QR.	QR.	QR.
Balance- January 1,2009	56,280,000	64,680,000	120,960,000
Purchases during the year	16,908,000	--	16,908,000
Movement in fair value reserve	--	10,734,720	10,734,720
Balance- December 31, 2009	<u>73,188,000</u>	<u>75,414,720</u>	<u>148,602,720</u>

The above amounts have been invested in shares of companies quoted in Qatar Exchange.

13. Property, Plant and Equipment:

	Land and Buildings	Plant and Equipment	Vehicles Office Equipment and Furniture	Petrol Stations	Vessels	Capital Work-in- Progress	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
At 31 December 2009							
COST:							
Balance at 1 January	47,683,631	120,893,659	273,783,973	414,236	260,301,174	511,594,780	1,214,671,453
Additions /Transfers	57,277,520	48,169,928	61,596,135	-	84,402	150,816,239	317,944,224
Disposals/Transfers	(51,741)	(46,560)	(889,580)	-	-	(37,788,256)	(38,776,137)
At December 31, 2009	104,909,410	169,017,027	334,490,528	414,236	260,385,576	624,622,763	1,493,839,540
Accumulated Depreciation:							
Balance at 1 January	12,404,010	48,802,072	82,204,129	113,296	16,399,983	-	159,923,490
Charged during the year	3,720,258	25,867,068	22,421,830	20,712	13,018,006	-	65,047,874
Disposals	(51,741)	(14,012)	(115,710)	-	-	-	(181,463)
At December 31, 2009	16,072,527	74,655,128	104,510,249	134008	29,417,989	-	224,789,901
Net Carrying Amount	88,836,883	94,361,899	229,980,279	280,228	230,967,587	624,622,763	1,269,049,639
At 31 December 2008							
COST:							
Balance at 1 January	47,661,631	120,893,659	131,602,837	389,845	223,966,467	313,318,050	837,832,489
Additions /Transfers	22,000	-	142,536,136	24,391	36,334,707	198,276,730	377,193,964
Disposals	-	-	(355,000)	-	-	-	(355,000)
At December 31, 2008	47,683,631	120,893,659	273,783,973	414,236	260,301,174	511,594,780	1,214,671,453
Accumulated Depreciation:							
Balance at 1 January	10,020,248	48,802,072	48,151,768	92,585	4,282,950	-	111,349,623
Charged during the year	2,383,762	-	34,179,818	20,711	12,117,033	-	48,701,324
Disposals	-	-	(127,457)	-	-	-	(127,457)
At December 31, 2008	12,404,010	48,802,072	82,204,129	113,296	16,399,983	-	159,923,490
Net Carrying Amount	35,279,621	72,091,587	191,579,844	300,940	243,901,191	511,594,780	1,054,747,963

The above depreciation expense was allocated to related accounts as follows:

	<u>2009</u>	<u>2008</u>
	<u>QR.</u>	<u>QR.</u>
Charge to direct cost	62,562,650	48,573,867
Charge to general and administrative expense	2,485,224	127,457
Total	<u>65,047,874</u>	<u>48,701,324</u>

14. Due to Qatar Petroleum:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>QR.</u>	<u>QR.</u>
Due to Qatar Petroleum	<u>1,205,374,207</u>	<u>1,298,697,572</u>

The above amount represents the balance of the current account with Qatar Petroleum which consists of normal purchases and service transactions. The outstanding balance is interest free.

15. Share Capital:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>QR.</u>	<u>QR.</u>
<u>Authorized Capital</u>		
The authorized capital as of December 31,	<u>1,000,000,000</u>	300,000,000
<u>Paid up Capital</u>		
Issued, subscribed and fully paid shares of QR. 10 each	<u>315,000,000</u>	<u>300,000,000</u>

The shareholders in their Extraordinary General Assembly held on May 20, 2009, approved to increase the company's authorized share capital to QR 1,000,000,000 (100,000,000 shares) with a nominal value of QR 10 each.

During the year the company has issued further shares amounting to QR 15,00,000 (1,500,000 shares), which includes 754,717 shares issued to shareholders of Qatar Technical Inspection Company as part of acquisition process (refer Note no. 1(c)). Balance 745,283 shares were issued to Qatar Petroleum and Shafallah in order to make their holding equal to the percentage of ownership in the Company's share capital which is 40% and 1.5% respectively, as approved by the Extraordinary General Assembly.

16. Legal Reserve:

The proceeds of the share issue during the year, received net of directly attributable transaction costs are directly credited to legal reserve (share premium) when shares have been issued at a price higher than their nominal value as per Article 154 and 192 of the Commercial Companies Law no. 5 of 2002.

As required by Qatar Commercial Companies' Law No. 5 of 2002, and the company's Articles of Association, a minimum of 10% of the net profit for the year should be transferred to legal reserve each year until this reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above mentioned Law.

17. Proposed Cash Dividend and Issue of Bonus Shares:

The Board of Directors has proposed a final distribution of cash dividend of QR. 10 per share totaling QR 315,000,000 for the year ended December 31, 2009 (2008: total cash dividend QR. 300,000,000 of QR.10 per share) and also a Proposed issue of bonus shares equivalent to 10% of the total capital amounting to QR 31,500,000 (2008: Nil). The proposed cash dividend and issue of bonus shares will be submitted for formal approval at the annual General Assembly Meeting.

18. Revenue:

	Year Ended December 31,	
	2009	2008
	QR.	QR.
Sale of refined products	3,869,374,983	4,111,460,423
Sale of jet fuel	2,144,580,732	3,258,826,461
Transportation and other revenue	139,211,814	138,943,202
Revenue from Woqod Vehicle Inspection (Fahes)	23,326,917	-
	<u>6,176,494,446</u>	<u>7,509,230,086</u>

19. General and Administrative Expenses:

	Year Ended December 31,	
	2009	2008
	QR.	QR.
Staff salaries and other benefits	261,066,726	203,030,847
Rent	6,922,463	6,157,293
Provision for doubtful debts	112,144,880	--
Other Expenses	74,942,915	67,263,356
Provision for Social and Sport Activities Support	22,306,738	30,912,877
	<u>477,383,722</u>	<u>307,364,373</u>

20. Other Income:

	Year Ended December 31,	
	2009	2008
	QR.	QR.
Interest from banks	57,687,952	31,302,247
Profit on sale of property, plant and equipment	362,874	272,457
Other income	154,807,501	98,363,573
	<u>212,858,327</u>	<u>129,938,277</u>

21. Earnings per Share:

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2009	2008
Profit for the year (in QR.)	<u>869,962,795</u>	<u>1,205,602,218</u>
Weighted average number of shares during the year (in shares)	<u>30,928,767</u>	<u>30,000,000</u>
Basic and diluted earnings per share (in QR. per share)	<u>28.13</u>	<u>40.18</u>

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share equal to the basic earnings per share.

22. Related Party Transactions:

	Year Ended December 31,	
	2009	2008
	QR.	QR.
Purchase from Qatar Petroleum	<u>4,357,763,759</u>	<u>5,497,837,675</u>
Sales to Qatar Petroleum	<u>74,973,223</u>	<u>116,502,685</u>
General and administrative expenses	<u>6,220,761</u>	<u>8,220,980</u>

(i) Sales transactions to Qatar Petroleum are at arm's length

(ii) Purchases from Qatar Petroleum are in accordance to the agreement with Qatar Petroleum

23. Compensation of Key Management Personnel:

The remuneration of key management personnel during the year was as follows:

	December 31,	
	2009	2008
	QR.	QR.
Board of directors' remuneration	10,792,751	10,792,751
Short term benefits	5,701,920	5,701,920
Post-employment benefits	327,026	327,026
	<u>16,821,697</u>	<u>16,821,697</u>

24. Capital Commitments:

	December 31,	
	2009	2008
	QR.	QR.
Heavy Fuel Oil Project	325,000,000	325,000,000
Liquefied Petroleum Gas Plant Project	-	150,000,000
Construction of Petrol Stations	119,329,247	99,329,247
Bitumen Storage Tank	-	50,000,000
	<u>444,329,247</u>	<u>624,329,247</u>

25. Comparative Figures

Comparative figures for 2008 have been reclassified and rearranged wherever necessary to conform to current year's presentation. Such reclassification and rearrangement have no effect in the net profit and net assets of previous year.